



Internal Revenue Service

Small Business and Self-Employed

Taxpayer Education and Communication

Employer's Returns

Forms 940 and 941

Lesson 3



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Agenda

- **Form 940**
- **Form 941**
 - **Depositing Requirements**
 - **Penalties**



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Form **941**

Employer's Quarterly Federal Tax Return



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Form 941-- Introduction

- **If you have employees, you must file this quarterly return**



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Form 941 Due Dates

Last day of the month after each quarter ends

Quarter	Ends	Due Date
JAN, FEB, MAR	MAR 31	APR 30*
APR, MAY, JUN	JUN 30	JUL 31*
JUL, AUG, SEP	SEP 30	OCT 31*
OCT, NOV, DEC	DEC 31	JAN 31*

*If the due date for a return falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.



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Form 941 Tips

- **File only one Form 941 per quarter**
- **Report only one calendar quarter on a single Form 941**
- **Always use the preaddressed form mailed to you (or file electronically)**
- **File a final return if you**
 - **Go out of business**
 - **Stop paying wages**



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Line by Line - Form 941

Top of Form

Type or print the information in this section

Line 1

Number of employees in the pay period



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Line by Line - Form 941

Line 2

- Enter the total of all:
 - wages paid,
 - tips reported,
 - taxable fringe benefits provided, and
 - other compensation paid to your employees.
- Leave out contributions to employee plans excluded from employee's wages



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Line by Line - Form 941

Line 3

Enter the income tax you withheld on

- wages
- tips
- taxable fringe benefits
- other payments

Lines 4 and 5

- See Instructions



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Line by Line - Form 941

Line 6a

- **Taxable Social Security wages**
 - Total wages subject to Social Security taxes
 - Paid to your employee during the quarter, up to the maximum
 - Include sick pay and taxable fringe benefits subject to Social Security taxes

Line 6b

- Multiply line 6a by percentage shown and enter the result



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Lines 6c and 6d

- Enter taxable Social Security tips
- Multiply line 6c by percentage shown

Lines 7a and 7b

- Taxable Medicare wages and tips
 - All wages and tips including sick pay and taxable fringe benefits subject to Medicare
 - No limit on the amount of wages subject to Medicare
- Multiply line 7a by percentage shown



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Line by Line - Form 941

Line 8

Enter total Social Security and Medicare taxes

Line 9

Adjustment of Social Security and Medicare taxes

- Fraction-of-cents adjustment to be calculated
- Small difference can sometimes occur
- See Publication 15 for instructions on other adjustments



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Line 11

Total taxes -- add lines 5 and 10

Line 12

Enter any advance earned income credit (EIC) payments made to employees

Line 13

Net taxes -- Subtract line 12 from line 11



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Line by Line - Form 941

Line 14

Enter total deposits for the quarter

Lines 15 and 16

- Figure balance due or refund
- Check appropriate box below line 16



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Line by Line - Form 941

Line 17

Monthly Summary of Federal Tax Liability

- Report the monthly tax liability, according to the date wages were actually paid
- Tax liability includes:
 - Income tax withheld, plus
 - Employee and employer shares of Social Security and Medicare taxes, minus
 - Advance earned income credit payments.



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Deposit Requirements

What to Deposit

- **Income tax withheld from employees**
- **Employer and employee Social Security and Medicare taxes**



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Deposit Requirements

How to Deposit

- Use the Electronic Federal Tax Payment System (EFTPS) – required for some*
- Use Form 8109, *Federal Tax Deposit Coupon* to mail or deliver payment to an authorized financial institution or Federal Reserve bank
- Pay with return if your total liability for the quarter is less than \$2500

Note: See Publication 15 for exceptions

* Taxes more than \$200K this year, or required last year



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Deposit Requirements

When to Deposit

Monthly

- \$50,000 or less during a lookback period
- First calendar year of being in business

Semi-weekly

- More than \$50,000 during a lookback period

Pub. 15 has more information on Lookback Periods



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Deposit Requirements

- **Next Banking Day – Special Rule**
- **If you accumulate \$100,000 or more on any day during a deposit period, you must deposit it on the next banking day**



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Late Deposit Penalties

- **2% for deposits made 1-5 days late**
- **5% for deposits made 5-15 days late**
- **10% for deposits made 16 or more days late**



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Other Deposit Penalties

10% for deposits made improperly

- Made at unauthorized financial institutions
- Paid directly to the IRS, or
- Paid with your tax return and \$2500 or more

10% for not using EFTPS, if required

- Subject to electronic deposit requirements
- But not deposited using EFTPS



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Non-Payment Deposit Penalties

15% for unpaid amounts on the earlier of

- **More than 10 days after the date of the first IRS notice, or**
- **The day on which you receive notice and demand for immediate payment**



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Form 940

*Employer's Annual Federal
Unemployment (FUTA) Tax Return*



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Form 940 - Introduction

The Federal Unemployment Tax Act (FUTA)

- Fed/state cooperation to establish and administer the unemployment tax program
- Pays unemployment compensation to workers who have lost their jobs
- Report FUTA tax annually on Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*



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Form 940 – FUTA Employers

- Pay wages of \$1,500 or more in any calendar quarter to employees, or
- Have one or more employees at any time in each of 20 or more calendar weeks -- consecutive or not
- Pay the tax and file Form 940

Note: It is possible not to be an employer for FUTA tax and still be an employer for Social Security and Medicare tax or for withholding income tax



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Form 940 – FUTA Employees

- The rules used for the Social Security and Medicare tax to determine who is an employee also apply to FUTA
- Pub. 15 has charts of special classes of employment to show which employees are covered by, or exempt from, FUTA tax



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Form 940 – FUTA Wages

FUTA tax wages include

- **money**
- **other forms of payment to employees**



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Form 940 – FUTA Tax Rate

FUTA tax rate

- **Use current-year rate**
- **On the wage limit for the year**
- **Paid to each employee during the year**



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Form 940 – FUTA Tax Credit

FUTA tax credit

- **Generally, you can take a credit against your FUTA tax for amounts you paid into state unemployment funds**
- **Maximum credit is 5.4% of taxable FUTA wages**



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Form 940 – FUTA Deposits

When

- Last day of first month after the quarter ends, if \$100 or more has accumulated
- By January 31 with your return, if less than \$100

How

- Electronic funds transfer (EFTPS) or
- In authorized financial institution using Form 8109, *Federal Tax Deposit Coupon*



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Need More Information?

- **Publication 15, *Employers' Tax Guide***
- **Publication 15-A, *Employers' Supplemental Tax Guide***
- **Form 941, *Instructions***
- **Form 940, *Instructions***
- **Call 1-800-829-4933 for the Business and Specialty Tax Line**